

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

W-02514A
Quail Creek Water Company
9532 East Riggs Road
Sun Lakes AZ 852487411

RECEIVED

MAY 16 2005

AZ Corporation Commission
Director Of Utilities

ANNUAL REPORT

FOR YEAR ENDING

12	31	2004
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FOR COMMISSION USE

ANN04	04
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COMPANY INFORMATION

Company Name (Business Name) Quail Creek Water Company Inc

Mailing Address 9532 E Riggs Road

Sun Lakes ^(Street)

Arizona

85248

(City)

(State)

(Zip)

(480) 895-9200

(480) 895-4347

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address _____

Local Office Mailing Address 1425 N Quail View

Green Valley

(Street)

Arizona

85614

(City)

(State)

(Zip)

(520) 825-3423

(520) 825-0712

Local Office Telephone No. (Include Area Code)

Fax No. (Include Area Code)

(520) 932-5887

Pager/Cell No. (Include Area Code)

Email Address _____

MANAGEMENT INFORMATION

Management Contact: James Poulos General Manager

(Name)

(Title)

9532 E Riggs Road

Sun Lakes

Arizona

85248

(Street)

(City)

(State)

(Zip)

(480) 895-9200

(480) 895-4347

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address _____

On Site Manager: Ed Baker

(Name)

40,004 S Ridgeview Blvd

Tucson

Arizona

85739

(Street)

(City)

(State)

(Zip)

(520) 825-5515

(520) 825-0712

(520) 932-5887

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address _____

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

Statutory Agent: FC Service Corporation

(Name)

3003 N Central Ave #2600

(Street)

Phoenix

(City)

Arizona

(State)

85012-2913

(Zip)

(602) 916-5000

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Attorney: Marty Aronson

(Name)

One E Camelback

(Street)

Phoenix

(City)

Arizona

(State)

85012

(Zip)

(602) 263-2972

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

OWNERSHIP INFORMATION

Check the following box that applies to your company:

☐ Sole Proprietor (S)

☒ C Corporation (C) (Other than Association/Co-op)

☐ Partnership (P)

☐ Subchapter S Corporation (Z)

☐ Bankruptcy (B)

☐ Association/Co-op (A)

☐ Receivership (R)

☐ Limited Liability Company

☐ Other (Describe) _____

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

☐ APACHE

☐ COCHISE

☐ COCONINO

☐ GILA

☐ GRAHAM

☐ GREENLEE

☐ LA PAZ

☐ MARICOPA

☐ MOHAVE

☐ NAVAJO

☒ PIMA

☐ PINAL

☐ SANTA CRUZ

☐ YAVAPAI

☐ YUMA

☐ STATEWIDE

COMPANY NAME Quail Creek Water Company Inc

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
301	Organization			
302	Franchises	37,295	23,745	13,550
303	Land and Land Rights	92,895	0	92,895
304	Structures and Improvements			
307	Wells and Springs	169,471	107,597	61,874
311	Pumping Equipment	97,206	84,593	12,613
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes	188,737	84,403	104,334
331	Transmission and Distribution Mains	1,017,467	214,090	803,377
333	Services	176,860	6,610	170,250
334	Meters and Meter Installations	21,008	2,045	18,963
335	Hydrants	113,017	14,124	98,893
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment			
341	Transportation Equipment	6,000	6,000	0
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant	44,550	12,846	31,704
	TOTALS	1,964,506	556,053	1,408,453

This amount goes on the Balance Sheet Acct. No. 108

COMPANY NAME Quail Creek Water Company Inc

CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
301	Organization			
302	Franchises	37,295	.0400	1,492
303	Land and Land Rights	92,895	0	0
304	Structures and Improvements			
307	Wells and Springs	169,471	.0426	7,225
311	Pumping Equipment	97,206	.0235	2,287
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes	188,737	.0690	13,015
331	Transmission and Distribution Mains	1,017,467	.0156	15,838
333	Services	176,860	.0124	2,197
334	Meters and Meter Installations	21,008	.0108	226
335	Hydrants	113,017	.0171	1,929
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment			
341	Transportation Equipment	6,000	0	0
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant	44,550	.0815	3,629
	TOTALS	1,964,506	.0244	47,838

This amount goes on the Comparative Statement of Income and Expense _____
Acct. No. 403.

BALANCE SHEET

Acct No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	ASSETS		
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$ 20,197	\$ 67,604
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable	50,364	36,958
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies		
162	Prepayments		
174	Miscellaneous Current and Accrued Assets	1,378	1,080
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 71,939	\$ 105,642
	FIXED ASSETS		
101	Utility Plant in Service	\$ 1,683,971	\$ 1,964,506
103	Property Held for Future Use		
105	Construction Work in Progress		
108	Accumulated Depreciation -- Utility Plant	508,215	556,053
121	Non-Utility Property		
122	Accumulated Depreciation -- Non Utility		
	TOTAL FIXED ASSETS	\$ 1,175,756	\$ 1,408,453
	TOTAL ASSETS	\$ 1,247,695	\$ 1,514,095

NOTE: The Assets on this page should be equal to **Total Liabilities and Capital** on the following page.

COMPANY NAME Quail Creek Water Company Inc

BALANCE SHEET (CONTINUED)

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	LIABILITIES		
	CURRENT LIABILITES		
231	Accounts Payable	\$ 18,638	\$ 6,198
232	Notes Payable (Current Portion)		13,294
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits		
236	Accrued Taxes	81,382	149,084
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities	166,816	225,280
	TOTAL CURRENT LIABILITIES	\$ 266,836	\$ 393,856
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	\$ -	\$ -
	DEFERRED CREDITS		
251	Unamortized Premium on Debt	\$	\$
252	Advances in Aid of Construction		
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction		
272	Less: Amortization of Contributions		
281	Accumulated Deferred Income Tax		
	TOTAL DEFERRED CREDITS	\$ -	\$ -
	TOTAL LIABILITIES	\$ 266,836	\$ 393,856
	CAPITAL ACCOUNTS		
201	Common Stock Issued	\$ 3,500	\$ 3,500
211	Paid in Capital in Excess of Par Value	695,896	695,896
215	Retained Earnings	281,463	420,843
218	Proprietary Capital (Sole Props and Partnerships)		
	TOTAL CAPITAL	\$ 980,859	\$ 1,120,239
	TOTAL LIABILITIES AND CAPITAL	\$ 1,247,695	\$ 1,514,095

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 300,207	\$ 368,075
460	Unmetered Water Revenue		
474	Other Water Revenues	11,325	14,986
	TOTAL REVENUES	\$ 311,532	\$ 383,061
	OPERATING EXPENSES		
601	Salaries and Wages	\$ 24,624	\$ 31,250
610	Purchased Water		
615	Purchased Power	22,002	23,939
618	Chemicals	592	2,188
620	Repairs and Maintenance	4,775	7,179
621	Office Supplies and Expense		
630	Outside Services	2,568	13,389
635	Water Testing	2,703	6,233
641	Rents		
650	Transportation Expenses		
657	Insurance – General Liability	2,525	2,606
659	Insurance - Health and Life		
666	Regulatory Commission Expense – Rate Case		
675	Miscellaneous Expense	7,920	6,437
403	Depreciation Expense	47,154	47,838
408	Taxes Other Than Income		
408.11	Property Taxes	5,790	10,291
409	Income Tax	77,457	92,947
	TOTAL OPERATING EXPENSES	\$ 198,110	\$ 244,297
	OPERATING INCOME/(LOSS)	\$ 113,422	\$ 138,764
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	\$ 1,911	\$
421	Non-Utility Income	1,219	1,504
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense	366	848
	TOTAL OTHER INCOME/(EXPENSE)	\$ 2,764	\$ 656
	NET INCOME/(LOSS)	\$ 116,186	\$ 139,420

COMPANY NAME Quail Creek Water Company Inc

SUPPLEMENTAL FINANCIAL DATA

Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued				
Source of Loan				
ACC Decision No.				
Reason for Loan				
Dollar Amount Issued	\$	\$	\$	\$
Amount Outstanding	\$	\$	\$	\$
Date of Maturity				
Interest Rate	%	%	%	%
Current Year Interest	\$	\$	\$	\$
Current Year Principle	\$	\$	\$	\$

Meter Deposit Balance at Test Year End \$ 238,835

Meter Deposits Refunded During the Test Year \$ 21,711

COMPANY NAME Quail Creek Water Company Inc

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-608597	75	425	459	16	8	1952
55-608522	125	675	2,000	20	8	1974

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
		73	

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
750,000	1		

COMPANY NAME Quail Creek Water Company Inc

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
2		
3		
4	PVC	360
5		
6	PVC	31,122
8	PVC	9,564
10		
12	PVC	20,787
6	PVC	321
21	PVC	4,225

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X 3/4	
3/4	872
1	100
1 1/2	4
2	5
Comp. 3	
Turbo 3	
Comp. 4	
Tubo 4	
Comp. 6	
Tubo 6	

For the following three items, list the utility owned assets in each category.

TREATMENT EQUIPMENT:

STRUCTURES:

OTHER:

COMPANY NAME: Quail Creek Water Company Inc

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2004

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD	GALLON PUMPED (Thousands)
JANUARY	669	4,935,358	5,305
FEBRUARY	696	5,179,854	5,420
MARCH	728	4,774,081	5,085
APRIL	756	4,940,689	5,143
MAY	755	5,942,971	6,034
JUNE	796	6,958,609	6,994
JULY	826	6,107,660	6,559
AUGUST	851	7,808,287	7,388
SEPTEMBER	899	6,408,593	6,920
OCTOBER	916	7,691,303	7,815
NOVEMBER	931	7,799,933	8,646
DECEMBER	956	6,104,531	6,118
TOTAL		NA	77,427

Is the Water Utility located in an ADWR Active Management Area (AMA)?

☒ Yes

☐ No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?

☐ Yes

☒ No

If yes, provide the GPCPD amount: _____

What is the level of arsenic for each well on your system. See below mg/l
(If more than one well, please list each separately.)

Note: If you are filing for more than one system, please provide separate data sheets for each system.

Well #11 .003 PPM
Well #13 .003 PPM

COMPANY NAME Quail Creek Water Company Inc

YEAR ENDING 12/31/2004

PROPERTY TAXES

Amount of actual property taxes paid during Calendar Year 2004 was: \$ 8039.87

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why. _____

THIS CHECK IS VOID WITHOUT A BLUE & GREEN BACKGROUND PLUS A KNIGHT™ & FINGERPRINT WATERMARK ON THE BACK - HOLD AT AN ANGLE TO VIEW ARTIFICIAL WATERMARKS

QUAIL CREEK WATER COMPANY

9532 E Riggs Rd
Sun Lakes, AZ 85248-7411

Pay

TWO THOUSAND EIGHT HUNDRED SIXTY FIVE AND 70/100

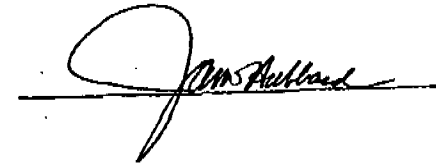
Dollars

To
The
Order
Of
BETH FORD, PIMA COUNTY TREASURER
P O BOX 98765
PHOENIX AZ 85038-0765Bank One, NA
201 N Central Ave Dept 383
Phoenix, AZ 85038

91-2/1221

300502

Date	Amount
04/02/04	\$*****2,865.70



SIGNATURE HAS A COLORED BACKGROUND - BORDER CONTAINS MICROPRINTING

⑈300502⑈ ⑆122100024⑆084⑆ 533⑆⑈

⑈0000286570⑈

ABSENCE OF U.S. PATENT NUMBERS IN THE LEFT MARGIN INDICATES THAT THIS CHECK IS FRAUDULENT. THIS AREA IS PRINTED WITH A PINK HEAT SENSITIVE INK THAT WILL DISAPPEAR WHEN BLOWING OR RUBBING

THIS CHECK IS VOID WITHOUT A COLORED BACKGROUND ON THE FRONT AND THE SAME BACKGROUND IN THE ENDORSEMENT AREA. THE CHECK ALSO CONTAINS AN ARTIFICIAL FINGERPRINT & KNIGHT™ WATERMARK. SEE BOTTOM FOR ADDITIONAL SECURITY FEATURES.

ENDORSE HERE

FOR DEPOSIT ONLY:
TO THE CREDIT OF
BETH FORD
PIMA COUNTY TREASURER
PIMA COUNTY, ARIZONA
412-724156

ACCOUNT OF KNIGHT™

1. KNIGHT™ FINGERPRINT - A FINGERPRINT SECURITY MARKING IN THE LEFT MARGIN OF THE CHECK. IT WILL DISAPPEAR WHEN BLOWING OR RUBBING.

2. PINK HEAT SENSITIVE INK - PRINTED IN THE LEFT MARGIN OF THE CHECK. IT WILL DISAPPEAR WHEN BLOWING OR RUBBING.

DO NOT WRITE, STAMP OR SIGN BELOW - RESERVED FOR FINANCIAL INSTITUTION USE

TO VIEW WATERMARKS
HOLD AT AN ANGLE
OR
UNDER BLACKLIGHT

KNIGHT™ FINGERPRINT

FINGERPRINT

0015 96613

BANK OF AMERICA NA
122101764 E3139 903007
04/16/04

THIS CHECK ALSO CONTAINS THE FOLLOWING SECURITY FEATURES:
1. Absence of the U.S. Patent Nos. in the left margin (5,611,183; 5,785,353; 5,984,084 & 6,010,000)
2. The back of the check has an artificial FINGERPRINT & KNIGHT™ watermark. These areas are printed with a pink heat sensitive ink that will disappear when blowing or rubbing.
3. MICRO PRINTING - A fine pattern on the face & back of the check.
4. SILENT BACKGROUND - A WAVY BACKGROUND.
5. AMOUNT LINE IS A DIFFERENT BACKGROUND.
6. PINK HEAT SENSITIVE INK WATERMARKS & PINK FLUO

Location	Acct #	Check #	Amount	Issue Date	Paid Date	Sequence
CD	8415331	300502	\$2,865.70		4/16/2004	8743247617
Customer Data	Bank #	GL Category	CD Valid/CIMS Key	CD Label		
	601	000000000000	20040430121701	20040430121701		

[illegible]

<u>Location</u>	<u>Acct #</u>	<u>Check #</u>	<u>Amount</u>	<u>Issue Date</u>	<u>Paid Date</u>	<u>Sequence</u>
CD	8415331	300585	\$5,174.17		10/27/2004	5140693876
<u>Customer Data</u>	<u>Bank #</u>	<u>GL Category</u>		<u>CD VOID/CIMS Key</u>	<u>CD Label</u>	
	601	000000000000		20041029092001	20041029092001	

COMPANY NAME Quail Creek Water Company Inc YEAR ENDING 12/31/2004

INCOME TAXES

For this reporting period, provide the following:

Federal Taxable Income Reported	<u>78,354</u>	(Estimated)
Estimated or Actual Federal Tax Liability	<u>14,891</u>	
State Taxable Income Reported	<u>231,771</u>	(Estimated)
Estimated or Actual State Tax Liability	<u>16,150</u>	

Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances	<u>0</u>
Amount of Gross-Up Tax Collected	<u>0</u>
Total Grossed-Up Contributions/Advances	<u>0</u>

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

CERTIFICATION

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.


SIGNATURE

05/14/05
DATE

James L. Poulos
PRINTED NAME

General Manager
TITLE

**VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only**

RECEIVED

MAY 16 2005

AZ Corporation Commission
Director Of Utilities

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)
<u>MARICOPA</u>
NAME (OWNER OR OFFICIAL) TITLE
<u>BRIAN J. SMITH - CONTROLLER</u>
COMPANY NAME
<u>QUAIL CREEK WATER COMPANY</u>

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
<u>12</u>	<u>31</u>	<u>2004</u>

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2004 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

\$ 413,938

(THE AMOUNT IN BOX ABOVE
INCLUDES \$ 29,591
IN SALES TAXES BILLED, OR COLLECTED)

****REVENUE REPORTED ON THIS PAGE MUST
INCLUDE SALES TAXES BILLED OR
COLLECTED. IF FOR ANY OTHER REASON,
THE REVENUE REPORTED ABOVE DOES NOT
AGREE WITH TOTAL OPERATING REVENUES
ELSEWHERE REPORTED, ATTACH THOSE
STATEMENTS THAT RECONCILE THE
DIFFERENCE. (EXPLAIN IN DETAIL)**

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

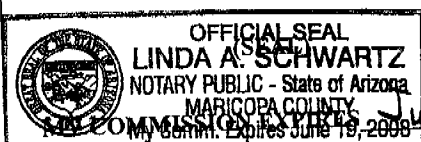
26th

DAY OF


SIGNATURE OF OWNER OR OFFICIAL

(480) 895-9200
TELEPHONE NUMBER

COUNTY NAME		
<u>MARICOPA</u>		
MONTH	<u>APRIL</u>	<u>2005</u>



**VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
INTRASTATE REVENUES ONLY**

RECEIVED

MAY 16 2005

**AZ Corporation Commission
Director Of Utilities**

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) MARICOPA	
NAME (OWNER OR OFFICIAL) BRIAN J. SMITH	TITLE CONTROLLER
COMPANY NAME QUAIL CREEK WATER COMPANY	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2004

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

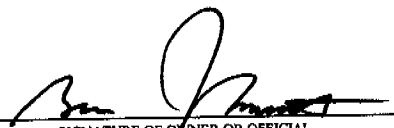
IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2004 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES

\$ 325,208

**(THE AMOUNT IN BOX AT LEFT
INCLUDES \$ 21,883
IN SALES TAXES BILLED, OR COLLECTED)**

***RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED.**


SIGNATURE OF OWNER OR OFFICIAL

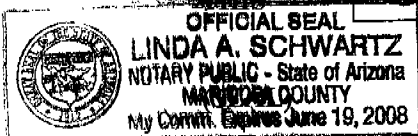
(480) 895-9200

TELEPHONE NUMBER

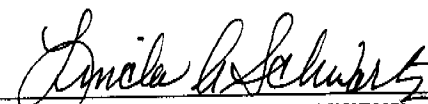
SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

NOTARY PUBLIC NAME Linda A. Schwartz	
COUNTY NAME MARICOPA	
MONTH APRIL	20 05



MY COMMISSION EXPIRES June 19, 2008

X 
SIGNATURE OF NOTARY PUBLIC

FINANCIAL INFORMATION

Attach to this annual report a copy of the companies' year-end (Calendar Year 2004) financial statements. If you do not compile these reports, the Utilities Division will supply you with blank financial statements for completion and filing. **ALL INFORMATION MUST BE ARIZONA-SPECIFIC AND REFLECT OPERATING RESULTS IN ARIZONA.**

QUAIL CREEK WATER COMPANY, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

QUAIL CREEK WATER COMPANY, INC.

BALANCE SHEETS
DECEMBER 31, 2004 AND 2003

In thousands

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
PLANT IN SERVICE, net	\$ 1,408	\$ 1,176
CURRENT ASSETS:		
Cash	68	20
Service customers receivable	37	50
Prepays and deposits	1	2
Total current assets	106	72
	<u>\$ 1,514</u>	<u>\$ 1,248</u>
 <u>LIABILITIES AND CAPITALIZATION</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 6	\$ 19
Accrued liabilities	149	83
Total current liabilities	155	102
CUSTOMER DEPOSITS	239	165
Total liabilities	394	267
CAPITALIZATION:		
Common stock	4	4
Additional paid-in-capital	696	696
Retained earnings	420	281
Total capitalization	1,120	981
	<u>\$ 1,514</u>	<u>\$ 1,248</u>

QUAIL CREEK WATER COMPANY, INC.

STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

In thousands

	<u>2004</u>	<u>2003</u>
REVENUE:		
Water sales	\$ 368	\$ 300
Establishment fees	15	11
Interest income	0	2
Other income	<u>1</u>	<u>1</u>
Total revenue	<u>384</u>	<u>314</u>
EXPENSES:		
Salaries and employee benefits	31	25
Electricity	24	22
Repairs and maintenance	7	5
Chemicals	2	1
Testing, fees and permits	6	3
Insurance	3	2
Property taxes	10	6
Professional services	14	2
Other operating expenses	<u>6</u>	<u>8</u>
	<u>103</u>	<u>74</u>
Income before depreciation, interest & income tax	281	240
Depreciation	48	47
Interest	1	0
Income tax expense	<u>93</u>	<u>77</u>
NET INCOME	<u>\$ 139</u>	<u>\$ 116</u>

QUAIL CREEK WATER COMPANY, INC.

STATEMENTS OF CAPITALIZATION
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

In thousands

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total Capitalization</u>
Balances, December 31, 2002	\$ 4	\$ 696	\$ 165	\$ 865
Net income	<u>0</u>	<u>0</u>	<u>116</u>	<u>116</u>
Balances, December 31, 2003	4	696	281	981
Net income	<u>0</u>	<u>0</u>	<u>139</u>	<u>139</u>
Balances, December 31, 2004	<u>\$ 4</u>	<u>\$ 696</u>	<u>\$ 420</u>	<u>\$ 1,120</u>

QUAIL CREEK WATER COMPANY, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

In thousands

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	<u>\$ 139</u>	<u>\$ 116</u>
Adjustments to reconcile net income to net cash flows from operating activities-		
Depreciation	48	47
(Increase) decrease in-		
Service customers receivable	13	(17)
Prepays and deposits	(1)	(1)
Increase (decrease) in-		
Accounts payable	(13)	8
Accrued liabilities	<u>66</u>	<u>66</u>
Total adjustments	<u>113</u>	<u>103</u>
Net cash flows from operating activities	<u>252</u>	<u>219</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Plant additions	(280)	(314)
Decrease in net advances with affiliates	<u>2</u>	<u>0</u>
Net cash flows from investing activities	<u>(278)</u>	<u>(314)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Customer deposits	<u>74</u>	<u>57</u>
Net cash flows from financing activities	<u>74</u>	<u>57</u>
INCREASE (DECREASE) IN CASH	48	(38)
CASH, beginning of year	<u>20</u>	<u>58</u>
CASH, end of year	<u><u>\$ 68</u></u>	<u><u>\$ 20</u></u>

QUAIL CREEK WATER COMPANY, INC.

*SUPPORTING SCHEDULES
DECEMBER 31, 2004 AND 2003*

(1) PLANT IN SERVICE, net :

Plant in service consists of the following-

In thousands

	<u>2004</u>	<u>2003</u>
<i>Land</i>	\$ 93	\$ 93
<i>Mains</i>	1,017	865
<i>Services</i>	177	110
<i>Hydrants</i>	113	80
<i>Tanks</i>	189	189
<i>Water supply</i>	206	207
<i>Meters</i>	21	7
<i>Pumps</i>	97	97
<i>Equipment</i>	51	36
	<u>1,964</u>	<u>1,684</u>
<i>Less accumulated depreciation</i>	<u>556</u>	<u>508</u>
	<u>\$ 1,408</u>	<u>\$ 1,176</u>

(2) ACCOUNTS PAYABLE :

Accounts payable consist of the following-

In thousands

	<u>2004</u>	<u>2003</u>
<i>Trade payables</i>	\$ 6	\$ 19
<i>Due to affiliates</i>	13	0
	<u>\$ 19</u>	<u>\$ 19</u>